

Submissions on the draft IRDAI (Internal Insurance Ombudsman) Guidelines 2025

Changes suggested by:

Shefali Malhotra and Falguni Singh
Centre for Health Equity, Law and Policy
Indian Law Society

Date:

14 August 2025

Broad comments

The Draft IRDAI (Internal Insurance Ombudsman) Guidelines, 2025 seek to establish an independent grievance redressal mechanism within insurance companies.

We welcome the draft guidelines as a timely and necessary step towards strengthening insurer accountability and enhancing policyholder protections. Our recommendations (in the next section) seek to align these guidelines with globally-endorsed standards for ombudsman institutions, strengthening their independence, credibility and capacity to deliver fair and reasoned decisions.¹

In addition to our specific recommendations, we believe this is also an opportune moment to revisit the design and functioning of the Insurance Ombudsman, as constituted under the Insurance Ombudsman Rules 2017, especially in light of its proposed role as the appellate authority to the internal insurance ombudsman. Crucially, the Council of Insurance Ombudsman, as constituted under the 2017 Rules, to select and administer the offices of the Insurance Ombudsman, is led and dominated by representatives of insurance companies. As interested parties in disputes with the insured, their involvement undermines the independence, credibility and impartiality of the redressal process. This concern is especially acute now that the internal insurance ombudsman will also be managed by the insurer itself. Further, it is equally important to address the persistent capacity constraints faced by the Insurance Ombudsman by increasing the number of ombudsman offices and providing adequate human and financial resources.²

The next section contains our suggestions on the draft IRDAI (Internal Insurance Ombudsman) Guidelines 2025. We recommend measures to prevent conflicts of interest, institutionalise independent performance reviews and public reporting, secure the ombudsman's tenure, create robust feedback mechanisms, promote ease of access for policyholders from varying backgrounds, and reinforce the rule of law.

¹ United Nations General Assembly, *The Role of Ombudsman and Mediator Institutions in the Promotion and Protection of Human Rights, Good Governance and the Rule of Law*, A/RES/77/224, 6 January 2023; European Commission for Democracy Through Law, *Principles on the Protection and Promotion of the Ombudsman Institution ("The Venice Principles")* (Venice, 3 May 2019); Organisation of Economic Co-operation and Development, "The role of Ombudsman Institutions in Open Government" (OECD Working Paper on Public Governance No. 29, 2018).

² Shilpy Sinha, "Insurance ombudsmen, short-staffed, struggle with rising case loads" *The Economic Times*, 23 September 2024; Shefali Malhotra et al., "Fair Play in Indian Health Insurance" (NIPFP Working Paper No. 228, 2018).

Specific comments

Para No.	Sub-para No.	Changes proposed	Rationale
4	(i)	Add clause 4 (i) (c) & (d) as follows: “... (c) no spouse, child, parent, sibling, in-law, or any other relative by blood, marriage or adoption, who is a director, employee or major shareholder of the insurer or companies in the group to which the insurer belongs, or otherwise has a close personal or social relationship with such person that could be perceived to compromise their independence or impartiality; and, (d) no direct or indirect financial interest in the insurer or companies in the group to which the insurer belongs.”	Given that the internal insurance ombudsman is appointed and managed by the insurer, who will invariably be a party to grievances, the conflict of interest clause should go beyond prior employment. Expressly barring individuals with close personal, social or financial ties to the insurer from appointment as the internal insurance ombudsman, will minimise situations of preferential treatment (whether consciously or unconsciously) and undue influence (through channels such as informal lobbying). This will promote independence of the ombudsman and bolster the trust of policyholders in the integrity of the grievance process.
	(iv)	Include express disclosures on clause 4(i), as proposed, in form KMP-1.	
5		Modify clause 5 to: (a) specify clear administrative and functional reporting obligations in a way that enable evaluation of the internal insurance ombudsman's performance in achieving its objectives, carrying out its functions and managing its resources; (b) specify the frequency of reporting (annually, half-yearly or quarterly); and,	The draft guidelines rightly promote openness, transparency, accountability and effectiveness during the grievance redress process. Those same principles should also guide the monitoring and evaluation of the internal insurance ombudsman - especially since the ombudsman will both monitor and report back to the insurer. This mirrors global ombudsman standards that call for independent

Para No.	Sub-para No.	Changes proposed	Rationale
		(c) mandate that administrative and functional reports, submitted to the insurer, should be published on the website of the insurer.	performance reviews and public reporting. ³ The proposed measures will drive the ombudsman to uphold the highest standards of integrity and efficiency, while disincentivising the insurer to neglect or exercise undue influence over the ombudsman. In turn, this will reinforce credibility and trust in the grievance redress system.
6	(ii)	Modify clause 6(ii) to (a) specify clear grounds of removal; and, (b) vest final approval of the removal of the internal insurance ombudsman with IRDAI.	The draft guidelines emphasise independence of the internal insurance ombudsman. A secure tenure is key to advancing this principle. ⁴ To that end, clause 4(ii) rightly prescribes a fixed term of 3 years for their appointment. However, clause 6(ii) grants the insurer unfettered power to terminate the ombudsman. Instead, the guidelines should be modified to enumerate specific grounds of removal (such as proven misconduct, negligence and material conflict of interest). Additionally, the ombudsman's removal should not be left to the sole discretion of the insurer. By doing so, the proposed framework will

³ Organisation of Economic Co-operation and Development, “The role of Ombudsman Institutions in Open Government” (OECD Working Paper on Public Governance No. 29, 2018).

⁴ For example, see Canadian Council of Parliamentary Ombudsman, *Key Principles Towards Ensuring Effective Parliamentary Ombudsman Institutions in Canada* (Charlottetown, Prince Edward, 18 June 2025); European Commission for Democracy Through Law, *Principles on the Protection and Promotion of the Ombudsman Institution (“The Venice Principles”)* (Venice, 3 May 2019).

Para No.	Sub-para No.	Changes proposed	Rationale
			protect the ombudsman from arbitrary or retaliatory dismissals.
7	(vi)	Modify clause 7(vi) to (a) mandate the internal insurance ombudsman to maintain, publish and regularly update a high-quality online database containing all aspects of complaints filed before it; (b) mandate the PPGR & CM committee of insurers to publish the reports, along with action taken on the report findings, on their website; and, (c) mandate the PPGR & CM committee of insurers to submit the reports, along with action taken on the report findings, to IRDAI.	The role of an ombudsman in resolving grievances complements a regulator's effort in preventing them.⁵ The grievances received by the ombudsman sheds light on areas which need improvement. To this end, clause 7(vi) creates a feedback loop through which the internal insurance ombudsman can share insights with the insurer who can utilise it to strengthen its systems and processes. This clause can be bolstered by facilitating the creation of publicly available complaints databases that can be analysed by IRDAI, researchers and policyholders to monitor insurers, and identify persistent issues faced by policyholders for improved regulations (such as during the annual review of the draft guidelines under clause 3(iii)) and systemic reform. Finally, releasing the ombudsman's reports and the corresponding corrective actions will strengthen insurers' accountability towards their policyholders as well as IRDAI.

⁵ Shefali Malhotra et al., "Fair Play in Indian Health Insurance" (NIPFP Working Paper No. 228, 2018); Financial Sector Legislative Reforms Commission, *Report of the Financial Sector Legislative Reforms Commission: Volume 1* (Department of Economic Affairs, Government of India, March 2013).

Para No.	Sub-para No.	Changes proposed	Rationale
8	(i)	Modify clause 8(i) to specify the manner in which complaints can be made to the internal insurance ombudsman by aggrieved policyholders (including online and offline methods).	An effective grievance redress system should prioritise ease of access for complainants from all backgrounds. ⁶ At its core, this includes ensuring that the internal insurance ombudsman's office is digitally and physically accessible. Integrating a complaints management software further strengthens this framework by allowing policyholders to track the progress of their complaints in real time, receive timely updates, and access relevant documentation.
	(ii)	Modify clause 8(ii) to enable policyholders to monitor the status of their complaints through the complaints management software.	
9		Before reviewing a grievance on merits, the internal insurance ombudsman must declare any conflict of interest and recuse themselves if impartiality may be compromised.	Clauses 9 of the draft guidelines lay down the procedure for grievance redressal, including setting timelines and mandating reasoned decisions. This is a welcome move given that arbitrary claim denials and a failure to address resulting grievances are among primary drivers of complaints to the insurance ombudsmen, especially in the health insurance segment. ⁷ Our recommendations on these clauses will reinforce the rule of law and the principles of natural justice in the consideration of complaints, including impartiality, fair hearing,
	(iv)	Modify clause 9(iv) to require the internal insurance ombudsman to (a) afford the insurer and the policyholder an opportunity to be heard; and, (b) assess the financial contract between the insurer and the policyholder, and prior insurance	

⁶ Julinda Beqiraj, Sabina Garahan and Kelly Shuttleworth, "Ombudsman schemes and effective access to justice: A study of international practices and trends" (International Bar Association, 2018).

⁷ Council of Insurance Ombudsmen, *Annual Report 2023-24, 2024*; Shefali Malhotra et al., "Fair Play in Indian Health Insurance" (NIPFP Working Paper No. 228, 2018).

Para No.	Sub-para No.	Changes proposed	Rationale
		ombudsmen rulings in similar matters, alongside statutory requirements.	consistency, legal certainty, reasoned decisions and the right to appeal.
	(v)	Modify clause 9(v) to expressly require the internal insurance ombudsmen to (a) follow the rule of law and principles of natural justice in making decisions; and, (b) include in their final decision a concise summary of the issue under dispute, the specific statutory provisions applied, explanation on how contractual and statutory factors were weighed, citations to comparable prior rulings, clear and actionable directions, and the right to appeal to the insurance ombudsman.	

Conclusion

Taken together, our recommendations are rooted in the broader imperative of restoring public trust and advancing systemic reform in the insurance sector, particularly in health insurance, where grievances often intersect with urgent care needs, financial vulnerability and information asymmetry. By strengthening institutional independence, procedural fairness and accessibility, these reforms can help build a grievance redressal architecture that is not only legally sound but also responsive to the lived realities of policyholders.
